

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham E. Affrey, P.C.</i>			Date <i>John R. K.</i>	

**Township of Ovid
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2004

Township of Ovid
Clinton County, Michigan
March 31, 2004
BOARD OF TRUSTEES

James I. McClelland	Supervisor
Carolyn J. Stilwell	Clerk
Jeanne A. Ott	Treasurer
Charles J. Olson	Trustee
James A. Schaefer	Trustee

Township of Ovid
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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Ovid
Ovid, Michigan

We have audited the accompanying general purpose financial statements of the Township of Ovid, Michigan as of and for the year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Ovid, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Ovid, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the use of management and the Township Board of the Township of Ovid, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 10, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Township of Ovid

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

March 31, 2004

	Governmental Fund Type	Fiduciary Fund Type	Account Group	Totals (Memorandum Only)
	General	Agency Fund (Current Tax Collections)	General Fixed Assets	
ASSETS				
Cash and cash equivalents	\$ 319,205	\$ 1,272	\$ -	\$ 320,477
Due from other governmental units				
Local	7,185	-	-	7,185
Due from other funds	1,272	-	-	1,272
Fixed assets	-	-	35,632	35,632
TOTAL ASSETS	\$ 327,662	\$ 1,272	\$ 35,632	\$ 364,566
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 507	\$ -	\$ -	\$ 507
Accrued liabilities	563	-	-	563
Due to other governmental units	1,568	-	-	1,568
Due to other funds	-	1,272	-	1,272
TOTAL LIABILITIES	2,638	1,272	-0-	3,910
FUND EQUITY				
Investment in general fixed assets	-	-	35,632	35,632
Fund balance				
Unreserved				
Undesignated	325,024	-	-	325,024
TOTAL FUND EQUITY	325,024	-0-	35,632	360,656
TOTAL LIABILITIES AND FUND EQUITY	\$ 327,662	\$ 1,272	\$ 35,632	\$ 364,566

See accompanying notes to general purpose financial statements.

Township of Ovid

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND

Year Ended March 31, 2004

REVENUES	
Taxes	\$ 86,938
Intergovernmental - State	137,676
Interest	3,311
Other	<u>8,416</u>
TOTAL REVENUES	236,341
EXPENDITURES	
General government	83,389
Public safety	23,105
Public works	77,696
Recreation and cultural	4,255
Other	<u>5,493</u>
TOTAL EXPENDITURES	<u>193,938</u>
EXCESS OF REVENUES OVER EXPENDITURES	42,403
Fund balances, beginning of year	<u>282,621</u>
Fund balances, end of year	<u><u>\$ 325,024</u></u>

See accompanying notes to general purpose financial statements.

Township of Ovid

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 83,988	\$ 86,938	\$ 2,950
Intergovernmental - State	138,466	137,676	(790)
Interest	6,492	3,311	(3,181)
Other	1,380	8,416	7,036
TOTAL REVENUES	230,326	236,341	6,015
EXPENDITURES			
General government	91,455	83,389	8,066
Public safety	23,240	23,105	135
Public works	110,938	77,696	33,242
Health and welfare	500	-	500
Recreation and cultural	4,300	4,255	45
Other	8,000	5,493	2,507
TOTAL EXPENDITURES	238,433	193,938	44,495
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,107)	42,403	50,510
Fund balances, beginning of year	282,621	282,621	-0-
Fund balances, end of year	<u>\$ 274,514</u>	<u>\$ 325,024</u>	<u>\$ 50,510</u>

See accompanying notes to general purpose financial statements

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP

Ovid Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by generally accepted accounting principles; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5; these financial statements present all financial activities of the Township of Ovid. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the combined financial statements of Ovid Township contain all the funds and account groups controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activities which are considered to be jointly governed organizations in relation to the Township, due to there being no ongoing financial interest or responsibility.

Ovid-Middlebury Emergency Services Authority - The Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury has entered into an agreement that created the Ovid-Middlebury Emergency Services Authority. Each Township appoints three (3) individuals and the Village appoints one (1) individual to the governing board of the Authority. The Townships collect and distribute property taxes that are levied by the Authority. The Authority provides fire and ambulance services to the Townships and the Village.

The financial activities of Ovid-Middlebury Emergency Services Authority are accounted for separately. Separate audited financial statements for the Authority are available directly from the Authority. As of December 31, 2003, the Ovid-Middlebury Emergency Services Authority had a fund balance of \$157,861. The Township distributed \$22,605 to the Authority for per capita charges and fire protection.

Maple Grove Cemetery Authority - The Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury, has entered into an agreement which created the Maple Grove Cemetery Authority. The governing body of the Authority is a board which is comprised of six (6) members; two (2) appointed by the Village of Ovid, two (2) appointed by the Township of Ovid, and two (2) appointed by the Township of Middlebury for a term of one (1) year. Each municipality is responsible to pay an equal per capita charge based on amount of anticipated expenditures above anticipated revenues. The \$7,877 paid from the general fund during the current year was for maintenance at the cemetery.

The financial activities of the Maple Grove Cemetery Authority are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended December 31, 2003, are available from the Authority. As of December 31, 2003, the Authority had a fund balance of \$34,642.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP - CONTINUED

3. Jointly Governed Organizations

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township due to there being no ongoing financial interest or responsibility.

Ovid Public Library - Under Public Act 24 of 1989, the Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury, created the Ovid Public Library which is considered a District Library. The Ovid Public Library board is composed of two (2) members appointed by each of the three municipalities. The Townships collect and distribute property taxes that are levied by the Library. The Township has no financial responsibility to the Library.

4. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account group reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUND

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

FIDUCIARY FUND

- a. Agency Fund (Current Tax Collections) - The Agency Fund is used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., income taxes, sales taxes, Act 51 funds), licenses, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

3. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board as required.

4. Cash

Cash consists of checking accounts and a money market account.

5. Property Tax

Ovid Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Property Tax - continued

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2004, the Township levied .9488 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2003 levy for property within the Township was \$70,825,541.

6. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, streets and sidewalks, and drainage systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group not in the governmental funds.

7. Comparative Data

Comparative data for the General Fund has been presented in the accompanying financial statements in order to provide an understanding of changes in the Fund's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

8. Total Columns on Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE C: CASH

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE C: CASH - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association or Government National Mortgage Association.

The Township's cash, cash equivalents, and investments at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents		
Checking accounts	\$ 159,922	\$ 178,397
Money market	<u>160,555</u>	<u>160,555</u>
Total cash and cash equivalents	<u>\$ 320,477</u>	<u>\$ 338,952</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were insured by the FDIC for \$200,000, and the amount of \$138,952 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

Township of Ovid
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
March 31, 2004

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Current Tax Collections	\$ <u>1,272</u>	Trust and Agency Current Tax Collections General	\$ <u>1,272</u>

NOTE E: GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Voting machines	\$ 11,292	\$ -	\$ -	\$ 11,292
Furniture and equipment	<u>20,706</u>	<u>3,634</u>	<u>-</u>	<u>24,340</u>
	<u>\$ 31,998</u>	<u>\$ 3,634</u>	<u>\$ -0-</u>	<u>\$ 35,632</u>

NOTE F: RETIREMENT PLAN

The Township of Ovid is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Ovid Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 75% and the employee 25% of the amount. During the year ended March 31, 2004, the Township of Ovid made contributions for all participating employees of \$300 per employee with the participating employees required to contribute \$100 each.

All members of the township board are eligible to participate in the plan. All eligible employees, except for Board trustees, participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with The Manufacturers Life Insurance Company.

For the year ended March 31, 2004, the Township of Ovid had a total payroll of \$36,875. The Township of Ovid Retirement Plan covered a payroll of \$32,353. The Township of Ovid made contributions to the retirement plan in the amount of \$900.

NOTE G: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Township also maintains commercial insurance coverage for workers' compensation.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE H: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by Ovid Township no later than the fiscal year ending March 31, 2005; the retroactive reporting of infrastructures, if any, must be implemented no later than the year ending March 31, 2009.

SUPPLEMENTAL FINANCIAL INFORMATION

Township of Ovid

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
REVENUES				
Taxes				
Current Tax Levy	\$	\$ 66,275	\$ 66,275	\$ 63,101
Trailer tax		316	316	259
Administrative fees		20,347	20,347	20,903
Total taxes	83,988	86,938	2,950	84,263
Intergovernmental				
State revenue sharing				
Sales tax	138,466	137,676	(790)	149,333
Interest	6,492	3,311	(3,181)	3,920
Other				
Property split fees		2,400	2,400	1,680
Other		6,016	6,016	144
Total other	1,380	8,416	7,036	1,824
TOTAL REVENUES	230,326	236,341	6,015	239,340
EXPENDITURES				
General government				
Legislative				
Township Board				
Salaries	2,000	1,884	116	1,800
Supervisor				
Salaries		10,040		8,200
Land division salaries		1,913		1,260
Other		681		501
Total supervisor	12,840	12,634	206	9,961
Clerk				
Salaries		11,075		9,200
Deputy clerk salaries		-		38
Other		1,163		1,505
Total clerk	12,880	12,238	642	10,743
Board of review				
Salaries	1,000	928	72	581

Township of Ovid

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
EXPENDITURES - CONTINUED				
General government - continued				
Treasurer				
Salaries	\$	\$ 11,075	\$	\$ 8,200
Deputy treasurer salaries		45		198
Capital outlay		2,195		-
Other		1,498		3,106
Total treasurer	16,400	14,813	1,587	11,504
Assessor				
Contracted services		18,800		16,509
Other		2,920		2,516
Total assessor	22,100	21,720	380	19,025
Elections	3,000	269	2,731	2,846
Township hall				
Rent	500	285	215	276
Cemetery				
Contracted services	8,735	7,877	858	1,185
Other				
Contracted services		3,110		2,701
Telephone		925		785
Printing and publishing		1,015		1,040
Insurance		3,632		3,933
Dues and fees		2,059		1,493
Total other	12,000	10,741	1,259	9,952
Total general government	91,455	83,389	8,066	67,873
Public safety				
Police appropriation	500	500	-0-	500
Fire department				
Fire protection	22,740	22,605	135	44,973
Total public safety	23,240	23,105	135	45,473

Township of Ovid

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
EXPENDITURES - CONTINUED				
Public works				
Street lights	\$	\$ 1,328	\$	\$ 1,327
Highways, streets, and bridges				
Repair and maintenance		71,175		91,837
Drains				
Drains at large		5,193		8,351
Total public works	110,938	77,696	33,242	101,515
Health and welfare				
Office on Aging	500	-	500	-
Recreation and cultural				
Parks and recreation contribution	4,300	4,255	45	3,070
Other				
Pension plan contributions		900		900
Social Security		2,800		2,238
Capital outlay		1,439		-
Other		354		763
Total other	8,000	5,493	2,507	3,901
TOTAL EXPENDITURES	238,433	193,938	44,495	221,832
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,107)	42,403	50,510	17,508
Fund balance, beginning of year	282,621	282,621	-0-	265,113
Fund balance, end of year	\$ 274,514	\$ 325,024	\$ 50,510	\$ 282,621

Township of Ovid

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

Current Tax Collections Fund

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
ASSETS				
Cash	<u>\$ 1,109</u>	<u>\$ 1,982,718</u>	<u>\$ 1,982,555</u>	<u>\$ 1,272</u>
LIABILITIES				
Due to other governmental units				
Ovid-Elsie Schools	\$ -	\$ 723,781	\$ 723,781	\$ -0-
St. Johns Schools	-	38,040	38,040	-0-
Intermediate Schools	-	226,806	226,806	-0-
County				
SET	-	324,610	324,610	-0-
Other	-	373,601	373,601	-0-
Due to other funds				
General	1,109	97,729	97,566	1,272
Due to Ovid District Library	-	59,130	59,130	-0-
Due to Ovid-Middlebury Emergency Services Authority	-	139,021	139,021	-0-
TOTAL LIABILITIES	<u>\$ 1,109</u>	<u>\$ 1,982,718</u>	<u>\$ 1,982,555</u>	<u>\$ 1,272</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

MANAGEMENT LETTER

To the Members of the Township Board
Township of Ovid
Ovid, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Ovid, Michigan for the year ended March 31, 2004. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

The Township should take physical inventory of their general fixed assets.

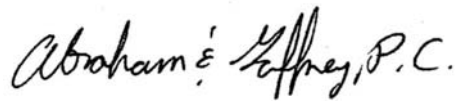
During our analysis of general fixed assets activity for the year and through discussions with management related to general fixed assets, we noted that although the Township has maintained historical cost information for general fixed assets on a year-to-year basis, a detailed record of general fixed asset balances by governmental function detailing acquisition year, useful life, etc. has not been maintained by the Township for every asset.

The Township is required to implement GASB Statement No. 34 no later than fiscal year ending March 31, 2005, which will require government-wide financial statements prepared on the full accrual basis of accounting. Under the full accrual basis of accounting, capital assets are depreciated over their estimated useful lives. To the extent possible, the depreciation expense should be allocated to the appropriate function of the government.

We suggest the Township establish a capitalization policy, inventory their capital assets, determine historical cost or estimated historical cost, and estimated useful lives of those capital assets. Such information should then be used to calculate accumulated depreciation for the capital assets through March 31, 2004. This will be used for the beginning balances for the 04/05 year for GASB No. 34 implementation. Compiling this data related to the Township's capital assets will not only facilitate the implementation of GASB Statement No. 34, it will also increase your internal control over capital assets and lessen the risk of misappropriation of assets.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated May 10, 2004.

This report is intended solely for the use of management and the Township Board of the Township of Ovid, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive, flowing script.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 10, 2004